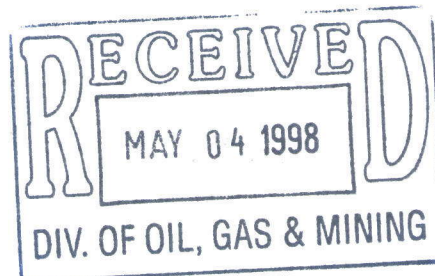


5/001/012



Tom Munsen  
State of Utah  
Department of Natural Resources  
Division of Oil, Gas and Mining  
1594 West North Temple, Suite 1210  
P.O. Box 145801  
Salt Lake City, Utah 84114-5801

May 4, 1998

**Re: Interim Reclamation surety for Mine Site Disturbances, Gemstone Mining Inc.  
(GMI), Red Beryl Projects, S/001/011 and S/001/012, Beaver County, Utah**

Dear Tom:

Further to our conversation earlier today, I am writing to give you details regarding the \$37,500 interim bond.

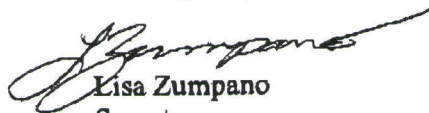
Dennis Coutts is GMI's new acting President. He will be available in Cedar City later this week and can be reached at (801) 867-0318. I will be updating him on reclamation details upon his arrival. All questions and dialogue can be directed to him in the coming weeks.

I will be away from May 8 to May 28 and I would request that GMI be given until the 29<sup>th</sup> of May to issue a cheque to DOGM in reference to the surface disturbance previously calculated.

At present, GMI is conducting analysis of all our geological data. I understand that you require a progress report and I will discuss this with Mr. Coutts immediately. We should have something for you in the next week or so.

Thank you for all your support and cooperation during this hectic time for the Company.

Best regards,

  
Lisa Zumpano  
Secretary  
Cc: Dennis Coutts